

DIRECT TESTIMONY

of

THERESA EBREY

Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Central Illinois Public Service Company, d/b/a AmerenCIPS  
and  
Union Electric Company, d/b/a AmerenUE

Proposed General Increase in Gas Rates

Docket Nos. 02-0798, 03-0008, 03-0009 (Cons.)

April 2, 2003

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**Schedules**

Schedule 3.1 CIPS	Adjustment to Cash Working Capital
Schedule 3.1 UE	Adjustment to Cash Working Capital
Schedule 3.2 CIPS	Adjustment to Materials & Supplies
Schedule 3.2 UE	Adjustment to Materials & Supplies
Schedule 3.3 CIPS	Adjustment to Uncollectibles Expense
Schedule 3.3 UE	Adjustment to Uncollectibles Expense
Schedule 3.4 CIPS	Adjustment to Advertising Expense
Schedule 3.4 UE	Adjustment to Advertising Expense
Schedule 3.5 CIPS	Adjustment to Charitable Contributions
Schedule 3.6 CIPS	Adjustment to Membership Dues
Schedule 3.7 CIPS	Adjustment to Customer Deposits and Interest
Schedule 3.7 UE	Adjustment to Customer Deposits
Schedule 3.8 CIPS	Adjustment to Income Tax Expense
Schedule 3.8 UE	Adjustment to Income Tax Expense

**Attachment**

Attachment A: Company response to Staff Data Request CIPS&UE-TEE-070

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Theresa Ebrey. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

5 Q. By whom are you employed and in what capacity?

6 A. I am currently employed as an Accountant in the Accounting Department of the  
7 Financial Analysis Division of the Illinois Commerce Commission ("ICC" or  
8 "Commission").

9 Q. Please describe your professional background and affiliations.

10 A. I have a Bachelor of Science degree in Accounting from Quincy College. I am a  
11 Certified Public Accountant, licensed to practice in the State of Illinois. My prior  
12 accounting experience includes fifteen years as the corporate controller of a  
13 large long-term care facility in Illinois, as well as a period of time employed as an  
14 outside auditor of governmental agencies. I joined the Staff of the Illinois  
15 Commerce Commission ("Staff") in April 1999.

16 Q. Have you previously testified before any regulatory bodies?

17 A. Yes. I have testified on several occasions before the Commission.

18 Q. What is the purpose of your testimony in this proceeding?

A. I have reviewed and analyzed Central Illinois Public Service Company's ("CIPS",  
"Ameren", or "Company") and Union Electric Company's ("UE", "Ameren", or  
"Company") (jointly "Companies") filings, and the underlying data.

The purpose of my testimony is to propose adjustments to Cash Working Capital,  
Materials and Supplies, Uncollectibles Expense and the Uncollectibles Rate,  
Advertising Expense, Charitable Contributions , Membership Dues, Customer  
Deposits and Interest Expense, and Income Tax Expense. I will also address  
concerns related to Internal Revenue Service audit findings related to Deferred  
Income Tax for UE.

Schedule Identification

Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 3.0?

A. Yes. I am sponsoring the following schedules for the Companies, which show  
data as of, or for the test year ending June 30, 2002:

Schedule 3.1 CIPS Adjustment to Cash Working Capital

Schedule 3.1 UE Adjustment to Cash Working Capital

Schedule 3.2 CIPS Adjustment to Materials and Supplies

Schedule 3.2 UE Adjustment to Materials and Supplies

Schedule 3.3 CIPS Adjustment to Uncollectibles Expense

Schedule 3.3 UE Adjustment to Uncollectibles Expense

Schedule 3.4 CIPS Adjustment to Advertising Expense

Schedule 3.4 UE Adjustment to Advertising Expense

Schedule 3.5 CIPS Adjustment to Charitable Contributions

Schedule 3.6 CIPS Adjustment to Membership Dues

Schedule 3.7 CIPS Adjustment to Customer Deposits and Interest

Schedule 3.7 UE Adjustment to Customer Deposits

Schedule 3.8 CIPS Adjustment to Income Tax Expense

Schedule 3.8 UE Adjustment to Income Tax Expense

Cash Working Capital

Q. Please explain Schedules 3.1, Adjustment to Cash Working Capital.

A. Schedules 3.1 reflect my disallowance in total of Ameren's Cash Working Capital ("CWC").

Q. What is your rationale for disallowing Ameren's cash working capital?

A. The lead lag study and thus the CWC adjustment for both CIPS and UE should be disallowed in their entirety due to the multiple flaws involved in the study, discussed in detail later in my testimony. Some of the flaws could be easily corrected to propose an adjustment to the CWC. However, some of the flaws involve changes to the methodology and raw data. Thus, I am unable to develop an alternative CWC position.

Q. Please identify the flaws you found with the Companies' CWC position.

A. Among the flaws I identified are:

1. CWC requirement improperly reflected for all operating revenues,
2. Unnecessary separate lag for purchased gas adjustment ("PGA") revenues,

3. Improper calculation for gas purchases included in PGA calculation based upon a 3 month true-up lag rather than a 2 month lag,
4. Improper inclusion of fuel costs,
5. Improper inclusion of non-cash items,
6. Improper inclusion of non-Illinois property in real estate calculation and improper inclusion of more than one year of taxes for some parcels of property,
7. Inappropriate inclusion of float for payroll,
8. Inconsistently applied mid-point theory,
9. Inappropriate obligation date theory, and
10. Lack of recognition of Service Company involvement with cash flow.

Q. What is the purpose of a lead/lag study?

A. A lead/lag study is used to determine the amount of cash that is necessary on a day-to-day basis in order for a company to provide service to the ratepayers. The Company describes a lead/lag study on page 4 of AmerenCIPS Exhibit No. 6.0 as follows:

A lead/lag study analyzes the lag between the date customers receive service and the date that customers' payments are available to the Company. This lag is offset by a lead time during which the Company receives goods and services, but pays for them at a later date.

Q. Describe the flaw relating to the CWC requirement being improperly reflected for all operating revenues.

86 A. The Companies have included in their CWC calculation an amount which reflects  
87 the entire operating revenue of the Companies. This, in effect, provides an  
88 allowance for cash working capital to cover non-cash items such as depreciation  
89 expense, uncollectibles expense, and deferred income taxes which are allowable  
90 expenses in determining a revenue requirement. Rather than the methodology  
91 used by the Companies in the instant case, the more appropriate method of  
92 deriving a net lag is to offset the expense lead by the revenue lag for each  
93 expense area. This methodology is consistent with the Companies' description  
94 of a lead/lag study cited above as well as that utilized by AmerenUE in 2002 in  
95 Case EC-2002-1 before the Missouri Public Service Commission (Attachment A).

96 Q. Describe the flaw relating to the unnecessary separate lag for PGA revenues.

97 A. The Companies' calculation of a separate CWC factor for PGA revenue indicates  
98 that the ratepayers must pay PGA revenues differently than other operating  
99 revenues. In fact, each customer receives only one bill each month, which  
100 includes PGA charges, as well as all other charges for gas service. Each  
101 customer only makes one payment for those bills, not a separate payment for the  
102 PGA portion. Therefore, there is no different lag to be considered for PGA  
103 revenue.

104 Q. Describe the flaw relating to the improper calculation for gas purchases included  
105 in PGA calculation based upon a 3-month true-up lag rather than a 2-month lag.



106 A. The Companies mistakenly uses a 3-month lag for the true-up of PGA costs  
107 when in fact only a 2-month lag exists. For example, the PGA used for March  
108 billings includes the Company's estimate of March gas costs and a true-up of the  
109 actual costs for January.

110 Q. Describe the flaw relating to the improper inclusion of fuel costs.

111 A. The lag for fuel costs should be set at 0 days. As described in the previous  
112 question and answer, the PGA used for billings in a given month includes the  
113 Company's estimate of gas costs for that month. Therefore, the revenue to pay  
114 for the gas is being billed to ratepayers in the same month the gas is being  
115 purchased. While there is a true-up function with a 2-month lag, there is as much  
116 of an equal chance that costs are over-estimated as under-estimated for any  
117 given month. One would have to assume that over time, the over estimates  
118 offset the underestimates causing any consideration of a lag for PGA costs to be  
119 unnecessary.

120 Q. Describe the flaw relating to the improper inclusion of non-cash items.

121 A. The Companies have included the non-cash items uncollectibles expense and  
122 amortization of rate case expense in the operations and maintenance expenses  
123 for the CWC calculation. While these are costs allowable in calculating the  
124 revenue requirement, neither requires an outlay of cash by the Companies and  
125 should not be included in a CWC calculation.

126 Q. Describe the flaw relating to the improper inclusion of non-Illinois property in the  
127 real estate tax calculation and improper inclusion of more than one year of taxes  
128 for some parcels of property.

129 A. This flaw impacts the CIPS filing only. The Company has included real estate  
130 taxes that cover property in states other than Illinois. In addition, more than one  
131 year of taxes is included for some parcels of property. These out-of-period and  
132 non-jurisdictional expenses should not be included in the calculation of test year  
133 cash requirements for CIPS gas customers.

134 Q. Describe the flaw relating to the inappropriate inclusion of float for payroll.

135 A. The Company's use of a float component for payroll checks in its calculation of  
136 the CWC for payroll is not supported. In response to Staff data request CIPS-  
137 TEE-043, the Company states that no payroll checks were included in its sample  
138 for calculating the float component. It is therefore not appropriate to include a  
139 float component for the payroll CWC.

140 Q. Explain the flaw regarding the mid-point theory.

141 A. The Company has not consistently applied the mid-point theory.

142 Q. Define the "midpoint" theory.

143 A. When an obligation accrues over a period of time, the mid-point of that period  
144 should be used as the measuring point assuming the obligation accrues ratably  
145 over the entire period. An example would be payroll, which accrues over a 2-  
146 week period. The midpoint, day seven, is used as the obligation date for

calculation of the payment lag. Another example would be property taxes, which would accrue over the entire year, thus the mid-point would be the 183<sup>rd</sup> day of the year.

Q. Explain how the Company has not consistently applied the mid-point theory in its analysis.

A. The Company has used a variety of measurement dates in its analysis. For its payroll calculation, the Company does use a midpoint of seven days. For its Real Estate Tax calculation, it uses the start date of the year as the measurement date, thus overstating the lag by 182 days. For ICC Gas Revenue Tax and Corporate Franchise Tax it uses the end of the period covered as the measurement date, thus understating the lag. For Gas Revenue Tax it uses the Due Date for the tax which has no relationship to the period of time over which the obligation is incurred.

Even in its Data Request responses, the Company is inconsistent with its definition of midpoint.

1. In its response to CIPS-TEE-031 the Company states that “Rather than assume that the liability was incurred on January 1, the assumption under a mid-point method, would be that the liability was incurred on January 15.”
2. In response to CIPS-TEE-032 the definition is changed to: “the calculation of leads and/or lags recognized that the distribution of administrative activity during a coverage period is evenly distributed around the mid-point

169 of a coverage period calculated as (Coverage Beginning Date – Invoice  
170 Date) divided by two.”

171 3. In response to CIPS-TEE-042 the definition again is changed to:” the  
172 expense lead time on other operations and maintenance was calculated  
173 as the difference between the invoice date and the check date.”

174 Q. Explain the flaw regarding the inappropriate use of obligation date theory.

175 A. In AmerenCIPS Exhibit No. 6.0, page 4, lines 79 through 81, the Company  
176 defines an expense lead as “the elapsed time from when a good or service is  
177 provided to the Company to the point in time when the Company pays for the  
178 good or service.” However when asked how delivery dates were considered in  
179 the calculation of the fuel expense lag, the Company responded that specific  
180 dates for specific deliveries within any given month could not be considered in  
181 the analysis (Company response to Staff data request CIPS-TEE-041). With  
182 reference to the Other O & M Expenses, the Company likewise responded that  
183 no consideration was given to the timing of the receipt of goods and services.  
184 This lack of consideration to the date goods or service are provided to the  
185 Company, and thus an obligation incurred, is contrary to the Company’s own  
186 definition of an expense lead.

187 Q. Explain the flaw regarding the lack of recognition of Service Company  
188 involvement with cash flow.

189 A. The lead/lag studies for CIPS and UE do not reflect the fact that Ameren Service  
190 Company makes all payments regarding the Controllers Office, Human  
191 Resources, Purchasing, Tax and Treasurer's functions for both CIPS and UE.  
192 The response to CIPS & UE TEE-067 verifies that all payments of all bills and  
193 other obligations for CIPS and/or UE are included in the expected services to be  
194 provided under the Amended General Services Agreement between Ameren  
195 Services Company and Ameren Corporation, Union Electric Company, Central  
196 Illinois Public Service Company, and CIPSCO Investment Company. Because  
197 Ameren Services is making those payments for both Companies, the expense  
198 lead for those expenses should be the same for both Companies.

199 Q. Have you performed a comparison of the expense leads for CIPS and UE?

200 A. Yes. As illustrated on Schedule 3.01 UE, page 2, only Federal Unemployment  
201 and Income Taxes have the same lead days for both CIPS and UE. Most  
202 notably among the differences noted are the 24.49 day difference for Pensions  
203 and Benefits, 6.10 day difference for Other O & M Expenses, 9.18 day difference  
204 for Interest Expense, 168.34 day difference for Real Estate Taxes, 187.30 day  
205 difference for Invested Capital Taxes, and 198.55 day difference for ICC Gas  
206 Revenue Tax.

207 Q. Did the Company offer an explanation for these differences?

208 A. Yes. In response to CIPS & UE TEE-047, the Companies explained that the  
209 differences for Invested Capital Tax and ICC Gas Revenue Tax were due to the  
210 overpaying the amount due or paying the total amount prior to the final due date.

211 The Companies' inefficient cash management for these two items should not be  
212 reflected in a CWC requirement.

213 In response to CIPS&UE-TEE-068 the Companies further offer that the relative  
214 difference in size between CIPS and UE would explain a difference in the amount  
215 of lead days. While this may explain why the CWC requirement of the  
216 Companies would differ, it does not explain why the number of days between the  
217 incurrence of an obligation and the payment of that obligation would differ.

218 Q Were you able to reflect all of these concerns in developing a CWC requirement?

219 A. No. Some of the areas of concern, numbers 1 – 6 in the above list, would be  
220 relatively easy to reflect in a corrected CWC schedule. However other areas,  
221 numbers 7 – 10 are more theoretical issues that would involve changes to the  
222 methodology and raw data used in the study.

223 Q. What is your recommendation with regards to the CWC requirement requested  
224 by the Companies?

225 A. I recommend that zero cash working capital be included in rate base due to the  
226 flaws in the application of the lead/lag study provided by CIPS and UE and  
227 discussed above.

228 Materials and Supplies

229 Q. Please describe ICC Staff Exhibit 3.0, Schedules 3.2, Adjustments to Materials  
230 and Supplies.

231 A. Schedules 3.2 present my adjustments to reduce the Companies' test year  
232 materials and supplies inventory balance for the amount of average materials  
233 and supplies included in accounts payable.

234 A 13-month average is consistent with the Companies' filing and is the  
235 appropriate method to use when the balances are volatile. In response to CIPS-  
236 060 and UE-060, the Companies provided 23% as the amount of materials and  
237 supplies included in accounts payable.

238 Accounts payable are an integral component of a utility's materials and supplies  
239 inventory. An account payable represents "vendor financing" of purchased  
240 merchandise until it has been paid in full. Since the vendor is financing these  
241 purchases until paid, the investors have no investment in the related materials  
242 and supplies. The materials and supplies inventory included in rate base should  
243 be reduced by the amount of accounts payable related to the inventory because  
244 the company should not earn a return on inventory until it has been funded by the  
245 investors.

246 The Commission agrees with the reasoning presented by these adjustments and  
247 has accepted such adjustments in the past as evidenced by Commission Orders  
248 in the following: Docket No. 95-0031, p.4; Docket No. 95-0032, pp. 5 - 6; Docket  
249 No. 95-0219, pp.10 - 11; Docket No. 95-0641, pp. 10, 12 & App. A, Sch. 2 Col.  
250 C; Docket Nos. 99-0119 & 99-0131 (Cons.), p. 15; Docket No. 99-0121, p. 30;  
251 and Docket No. 99-0120, p. 25.

252 Uncollectibles Expense

253 Q. Please describe ICC Staff Exhibit 3.0, Schedules 3.3, Adjustment to  
254 Uncollectibles Expense.

255 A. Schedules 3.3 present my adjustments to uncollectibles expense applying the 5-  
256 year average rate to the Companies' requested revenue. This 5-year average is  
257 a better indicator of the on-going level of expense than the one-year experience  
258 used by the Companies, in addition to being consistent with the uncollectibles  
259 rate used in Staff's Gross Revenue Conversion Factor calculation.

260 Advertising Expense

261 Q. Describe ICC Staff Exhibit 3.0, Schedules 3.4, Adjustment to Advertising  
262 Expense.

263 A. Schedules 3.4 present my adjustments to advertising expense to disallow out-of-  
264 period costs as well as costs that do not represent an ongoing expense. The pro  
265 forma adjustments proposed by the Companies attempted to make corrections  
266 for prior periods that in effect included expense outside the test year. That  
267 portion related to prior periods should not be included in test year expenses. In  
268 addition, the pro forma adjustments included costs for the publication notices  
269 required for these rate cases. This type of cost is not representative of an on-  
270 going level of expense and, therefore, should be disallowed.



271 Charitable Contributions

272 Q. Describe ICC Staff Exhibit 3.0, Schedule 3.5 CIPS, Adjustment to Charitable  
273 Contributions.

274 A. Schedule 3.5 CIPS, Adjustment for Charitable Contributions, presents my  
275 proposed adjustment to remove items from the Company's operating expenses  
276 because the contributions are:

277 1. promotional, goodwill or institutional in nature,

278 2. political in nature,

279 3. specific to the Electric Industry,

280 4. specific to AmerenUE, or

281 5. Chamber of Commerce related events.

282 Q. Provide rationale why donations that are promotional, goodwill or institutional in  
283 nature should be disallowed.

284 A. Costs that are of a promotional, goodwill, or institutional in nature put the  
285 Company's name before the public and draw attention to the Company in  
286 general. Among those costs included in my adjustment are sponsorships of golf  
287 holes including "tee or green signs" in a number of golf outings, sponsorship of  
288 Jumbo Leader Board and Electronic Scoreboard Advertising at the State Farm  
289 Classic, a Back to School Safety Ad and ads on pancake breakfast placemats.

290 Section 9-225 of the Public Utilities Act ("Act") expressly states that advertising  
291 costs of a goodwill or institutional nature shall not be considered for the purpose  
292 of determining rates:

293 In any general rate increase requested by a gas or electric utility company  
294 under the provisions of this Act, the Commission shall not consider, for the  
295 purpose of determining any rate, charge or classification of costs, any  
296 direct or indirect expenditures for promotional, political, institutional or  
297 goodwill advertising, unless the Commission finds the advertising to be in  
298 the best interest of the Consumer or authorized as provided pursuant to  
299 subsection 3 of this Section.

300 Section 9-225 of the Act defines goodwill or institutional advertising as:

301 any advertising either on a local or national basis designed primarily to  
302 bring the utility's name before the general public in such a way as to  
303 improve the image of the utility or to promote controversial issues for the  
304 utility or the industry.

305 Therefore, this type of advertising should be removed from the Company's test  
306 year operating expenses.

307 Q. How did you determine the costs were of a goodwill nature?

308 A. I reviewed invoices and determined that the costs identified were primarily for the  
309 purpose of improving the image of the Company.

310 Q. Has the Commission previously excluded goodwill advertising from Operating  
311 Expenses?

312 A. Yes, in CILCO's prior delivery services tariffs ("DST") case, Docket Nos. 99-  
313 0119/99-0131 (Consolidated), Staff deducted goodwill advertisements from  
314 allowable expenses. CILCO did not oppose this adjustment, and the  
315 Commission found it to be reasonable. Also, in Ameren's prior DST case,

316 Docket No. 99-0121, Staff deducted goodwill advertisements from allowable  
317 expenses. Ameren did not oppose this adjustment, and the Commission found it  
318 to be reasonable.

319 Q. Provide the rationale why donations that are political in nature should be  
320 disallowed.

321 A. Section 9-224 of the Act expressly states that political costs shall not be  
322 considered as an expense for determining any rate or change in rates. Among  
323 the costs to be disallowed due to their political nature are costs associated with  
324 the Midwest LAMPAC Conference, a donation to Southern Illinois Political Action  
325 Committee, Civic Progress Action Committee related to a tobacco tax campaign,  
326 and costs associated with the Midwest utilities' baseball outing for congressional  
327 staff.

328 Q. Provide the rationale why donations that are specific to the Electric Industry  
329 should be disallowed.

330 A. Since this is a gas rate case, costs supporting the electric operations should not  
331 be included as an operating expense in the revenue requirement. Costs for the  
332 8<sup>th</sup> Annual Electric Industry Golf Classic and the Illinois Electric Council's Annual  
333 Conference Banquet are clearly associated with the Company's electric  
334 operations.

335 Q. Provide the rationale why donations that are specific to AmerenUE should be  
336 disallowed.

337 A. The revenue requirement for CIPS should only include costs supporting CIPS  
338 gas operations. The contributions associated with the VIP/Teams Fund Awards  
339 and "Missouri Impact" are not associated with CIPS' Illinois gas operations. The  
340 cover letters announcing the approval of applications for VIP/TEAMS Fund  
341 awards specifically state that they are awarded by AmerenUE to the various  
342 sports organizations. In addition to being political in nature and related to  
343 Missouri operations, "Missouri impact!" is sponsored by AmerenUE. These costs  
344 are not appropriate for recovery from AmerenCIPS gas ratepayers.

345 Q. Provide the rationale why payments for Chamber of Commerce related events  
346 recorded as donations should be disallowed.

347 A. A number of costs included in my adjustment are for dinners, golf outings and  
348 other events sponsored by Chambers of Commerce. Participation in such  
349 groups is a promotional and goodwill practice, which, while perhaps promoting  
350 good corporate citizenship and enabling employees to keep in contact with other  
351 members of the business community, is not necessary in providing utility service.  
352 Consequently, the ratepayers should not be burdened with the expense of the  
353 Company taking part in these community organizations. Therefore, these  
354 expenses should be removed from the Company's recoverable administrative  
355 and general expenses.

356 Q. Has the Commission previously excluded community organizations related costs  
357 from Operations and Maintenance Expenses?

358 A. Yes. The Commission, in Docket No. 90-0169, a Commonwealth Edison  
359 Company electric rate case, and Docket No. 90-0128, a Contel of Illinois, Inc.  
360 general rate case, ruled that the shareholders, rather than the ratepayers, should  
361 bear the cost of interfacing with community organizations. The Commission, in  
362 its Order in Commonwealth Edison Company's electric rate case, Docket No. 94-  
363 0065, affirmed this position in its ruling to remove the cost of such organizations.  
364 And, in Ameren's prior DST proceeding, Docket No. 99-0121, the Commission  
365 adopted this position.

366 Membership Dues

367 Q. Describe ICC Staff Exhibit 3.0, Schedule 3.6 CIPS, Adjustment to Membership  
368 Dues.

369 A. Schedule 3.6 CIPS, Adjustment to Membership Dues, reflects my proposed  
370 adjustment to remove certain community organization dues from the Company's  
371 recoverable miscellaneous general expenses. Participation in such groups is a  
372 promotional and goodwill practice, which, while perhaps promoting good  
373 corporate citizenship and enabling employees to keep in contact with other  
374 members of the business community, is not necessary in providing utility service.  
375 Consequently, the ratepayers should not be burdened with the expense of the  
376 Company taking part in these community organizations. Therefore, these  
377 expenses should be removed from the Company's recoverable administrative  
378 and general expenses.

379 Customer Deposits and Interest Expense

380 Q. Describe ICC Staff Exhibit 3.0, Schedules 3.7, Adjustment to Customer Deposits  
381 and Interest Expense.

382 A. Schedules 3.7 present my adjustments to reflect in the Companies' test year rate  
383 base the 13-month average balance of customer deposits rather than the year-  
384 end balance that was reflected by the Companies' filing. The use of a 13-month  
385 average is more representative of the test year activity and is the appropriate  
386 method to use when the balances are volatile.

387 In addition, the Companies have proposed a pro forma adjustment for interest on  
388 customer deposits based on the June 30, 2001 allocated balance of customer  
389 deposits. A more reasonable amount would be based on a 13-month average of  
390 customer deposit balances to be consistent with Staff's customer deposit  
391 amount. This calculation results in an adjustment for CIPS only.

392 Income Tax Expense

393 Q. Please describe ICC Staff Exhibit 3.0, Schedules 3.8, Adjustment to Income Tax  
394 Expense.

395 A. Schedules 3.8 present my proposed adjustments to correct CIPS' and UE's test  
396 year income tax expense. During the course of my review, I recalculated the test  
397 year income tax expense for each Company and determined that the income tax  
398 expense proposed by the Company is incorrect.

399 Q. Why was it necessary to recalculate income tax expense?

400 A. For ratemaking purposes Illinois is a tax normalization state. This means that the  
401 total of current and deferred tax should equal test year pre-tax operating income,  
402 after deducting interest expense, times the appropriate tax rates. In this case,  
403 the Companies' calculated current plus deferred income tax expenses equals  
404 something different than is yielded by applying the appropriate formula described  
405 above. I have calculated the correct tax expense and the appropriate adjustment  
406 on ICC Staff Exhibit 3.0, Schedule 3.8 CIPS and Schedule 3.8 UE, Adjustment to  
407 Income Tax Expense.

408 Q. Is it necessary to distinguish between current and deferred tax expenses for  
409 purposes of calculating revenue requirement?

410 A. No, it is not. While we need to know the amount of accumulated deferred income  
411 taxes in order to properly calculate rate base, there is no reason to distinguish  
412 between current and deferred income tax expense for operating statement  
413 purposes. Current and deferred income tax expenses are equally deducted to  
414 arrive at net income.

415 Concern Related to IRS Audit Finding: Accumulated Deferred Income Tax

416 Q. Explain your concern with the Internal Revenue Service audit as it affects  
417 Accumulated Deferred Income Taxes.

418 A. In response to Staff Data Request UE-TEE-074, the Company provided the  
419 Journal Entries to Accumulated Deferred Income Taxes to be made in 2003 to  
420 recognize the final determination of the IRS audit conducted at UE for the tax

421 years 1992 – 1995. This adjustment could potentially have an impact on the rate  
422 base allowed for UE in Docket No. 03-0009. Based on information received to  
423 date from the Company, I am unable to determine the jurisdictional impact of  
424 these adjustments. Further information received from the Company will be  
425 considered for a possible adjustment in my rebuttal testimony.

426 Conclusion

427 Q. Does this question end your prepared direct testimony?

428 A. Yes.



AmerenCIPS' and AmerenUE's Response To  
Illinois Commerce Commission Data Request  
Docket Nos. 03-0008 and 03-0009  
AmerenCIPS' and AmerenUE's Proposed  
General Increase in Natural Gas Rates

**CIPS&UE-TEE-070:**

The engagement letter with Navigant provided in response to CIPS-BCJ-1.11 indicates that the lead/lag study is similar to the study performed last year in the UE excess earnings complaint case (MPSC Case No. EC-2002-1). Please provide a copy of the calculations provided in deriving the cash working capital requirement in that case.

**Response:**

A copy of the Exhibit filed by the company in the UE Excess Earnings Complaint Case is shown in the chart below. Additionally, the lead times associated with Federal and State Income Taxes and Interest Expense, which are not in the chart below were estimated to be 34.13, 47.38, and 36.17 days.

	REVENUE			EXPENSE		TEST YEAR	CASH WORKING
	LAG	LAG	NET LAG	FACTOR	EXPENSE		CAPITAL
PENSIONS AND BENEFITS	40.230	41.060	(0.850)	(0.002329)	65,369,702	\$	(152,246)
PURCHASED POWER	40.230	45.020	(4.790)	(0.013123)	283,445,742		(3,719,658)
INTERCHANGE SALES	40.230	50.410	(10.180)	(0.027890)	(212,301,136)		5,921,079
BASE PAYROLL	40.230	11.130	29.100	0.079726	167,919,617		13,387,559
VACATION PAYROLL	0.000	0.000	0.000	-	-		-
FEDERAL TAX WITHHOLDINGS	40.230	12.820	27.410	0.075096	55,649,242		4,179,035
STATE TAX WITHHOLDINGS	40.230	17.540	22.690	0.062164	13,187,310		819,776
EMPLOYEE FICA TAXES	40.230	12.820	27.410	0.075096	16,330,354		1,226,344
FUEL							
NUCLEAR	40.230	29.180	11.050	0.030274	35,303,961		1,068,792
COAL	40.230	19.580	20.650	0.056575	228,722,806		12,530,003
OIL	40.230	19.130	21.100	0.057608	5,665,942		327,537
NATURAL GAS	40.230	10.530	29.700	0.081370	4,966,416		404,117
UNCOLLECTIBLE ACCOUNTS	40.230	40.230	0.000	-	3,752,033		-
OTHER OPERATING EXPENSES	40.230	19.950	20.280	0.055562	379,354,910		21,077,718
TOTAL O&M EXPENSES					1,047,366,899		
TOTAL CASH WORKING CAPITAL REQUIREMENT							57,480,046
FICA - EMPLOYER'S PORTION	40.230	12.820	27.410	0.075096	16,330,354		1,226,344
FEDERAL UNEMPLOYMENT TAXES	40.230	85.220	(24.990)	(0.068466)	181,732		(12,442)
STATE UNEMPLOYMENT TAXES	40.230	64.570	(24.340)	(0.068685)	8,894		(593)
CORPORATE FRANCHISE TAXES	40.230	(71.860)	112.090	0.307096	903,703		277,524
PROPERTY TAXES	40.230	190.520	(150.290)	(0.411753)	78,298,388		(32,239,596)
SALES & USE TAXES	22.060	12.780	9.300	0.025479	46,593,238		1,187,149
GROSS RECEIPTS TAXES	22.060	45.690	(23.610)	(0.064685)	96,142,576		(6,218,989)
ST. LOUIS EARNINGS TAXES	40.230	241.140	(200.910)	(0.550438)	447,965		(246,577)
ST. LOUIS PAYROLL EXPENSE TAXES	40.230	63.910	(23.680)	(0.064877)	97,707		(6,339)
TOTAL TAXES					239,004,657		
TOTAL CUSTOMER SUPPLIED FUNDS							(36,033,519)
NET CASH WORKING CAPITAL REQUIREMENT						\$	21,446,527

Prepared By: Nagendra Subbakrishna  
Title: Senior Engagement Manager, Navigant  
Consulting Inc.  
Phone: 610-999-0253  
Date: March 18, 2003

Central Illinois Public Service Company  
Adjustment to Cash Working Capital  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Cash Working Capital per Staff	\$ -	
2	Cash Working Capital per Company	<u>8,558</u>	Company Schedule B-5
3	Adjustment to Cash Working Capital per Staff	<u><u>\$ (8,558)</u></u>	Line 1 minus line 2

Union Electric Company  
Adjustment to Cash Working Capital  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Cash Working Capital per Staff	\$ -	
2	Cash Working Capital per Company	<u>928</u>	Company Schedule B-5
3	Adjustment to Cash Working Capital per Staff	<u><u>\$ (928)</u></u>	Line 1 minus line 2

Union Electric Company  
Adjustment to Cash Working Capital  
For the Test Year Ended June 30, 2002  
(in thousands)

Line Number	Description (A)	UE Lag (Lead) (B)	CIPS Lag (Lead) (C)	Difference CIPS/UE (D)
1	Non-PGA Revenue	40.16	41.45	(1.29)
2	PGA Revenue	60.81	60.51	0.31
3	Pensions and Benefits	(29.47)	(53.96)	24.49
4	Payroll	(11.63)	(10.82)	(0.81)
5	Federal Withholding Taxes	(13.44)	(12.53)	(0.91)
6	State Withholding Taxes	(18.54)	(17.39)	(1.15)
7	Employer paid FICA Taxes	(13.44)	(12.53)	(0.91)
8	Fuel	(27.15)	(27.52)	0.37
9	Other Operations and Maintenance Expens	(34.69)	(28.59)	(6.10)
10	Interest Expense	(44.61)	(53.79)	9.18
11	Taxes Other Than Income			
12	Employee paid FICA Taxes	(13.44)	(12.53)	(0.91)
13	Gross Receipts Tax	(30.42)	(32.64)	2.23
14	Gas Revenue Tax	(0.38)	(0.03)	(0.35)
15	Energy Assistance Charges	(53.17)	(53.76)	0.60
16	Federal Unemployment Taxes	(60.38)	(60.38)	-
17	State Unemployment Taxes	(65.92)	(66.97)	1.05
18	Real Estate Taxes	(588.33)	(756.67)	168.34
19	Invested Capital Taxes	(212.54)	(25.24)	(187.30)
20	ICC Gas Revenue Tax (PUF Tax)	267.11	77.56	189.55
21	Corporate Franchise Taxes	374.70	377.57	(2.87)
22	Federal Income Tax	(34.00)	(34.00)	-
23	State Income Tax	(47.25)	(47.25)	-

Source: Column (B): AmerenUE Schedule B-5.2, column (C)  
Column (C): AmerenCIPS Schedule B-5.2, column (C)  
Column (D): Difference between columns (B) & (C)

Central Illinois Public Service Company  
Adjustment to Materials and Supplies  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Materials & Supplies per Company	\$ 1,381	Company Schedule B-5
2	Percentage included in Accounts Payable	<u>23%</u>	Response to CIPS-060
3	Materials & Supplies in Accounts Payable	<u>\$ 318</u>	Line 1 times line 2
4	Materials & Supplies per Staff	\$ 1,063	Line 1 minus line 3
5	Materials & Supplies per Company	<u>1,381</u>	Company Schedule B-5
6	Staff proposed adjustment to Materials & Supplies	<u>\$ (318)</u>	Line 4 minus line 5

Union Electric Company  
Adjustment to Materials and Supplies  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Materials & Supplies per Company	\$ 47	Company Schedule B-5
2	Percentage included in Accounts Payable	<u>23%</u>	Response to UE-060
3	Materials & Supplies in Accounts Payable	<u>\$ 11</u>	Line 1 times line 2
4	Materials & Supplies per Staff	\$ 36	Line 1 minus line 3
5	Materials & Supplies per Company	<u>47</u>	Company Schedule B-5
6	Adjustment to Materials & Supplies	<u>\$ (11)</u>	Line 4 minus line 5

Central Illinois Public Service Company  
Adjustment to Uncollectible Expense  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	Gas Operating Revenues (B)	904 Uncollectible Expense (C)	Uncollectible % (D) (B) / (C)	Source (E)
1	2002 Totals	\$ 156,895	\$ 1,657	1.06%	Company response to CIPS&UE-TEE-017
2	2001 Totals	162,653	1,202	0.74%	Company response to CIPS&UE-TEE-017
3	2000 Totals	169,363	546	0.32%	Company response to CIPS&UE-TEE-017
4	1999 Totals	124,645	704	0.56%	Company response to CIPS&UE-TEE-017
5	1998 Totals	119,909	768	0.64%	Company response to CIPS&UE-TEE-017
6	5 Year Average			0.66%	Sum of Column (D) lines 1 through 5 divided by 5
7	Total Company Revenue			\$ 148,873	Company Schedule C-1, Col B, line 1
8	Uncollectible Expense per Staff			\$ 989	Line 6 times line 7
9	Uncollectible Expense per Company			<u>1,442</u>	Company Exhibit CIPS-027
10	Adjustment to Uncollectible Expense			<u>\$ (453)</u>	Line 8 minus line 9



Union Electric Company  
Adjustment to Uncollectible Expense  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	Gas Operating Revenues (B)	904 Uncollectible Expense (C)	Uncollectible % (D) (B) / (C)	Source (E)
1	2002 Totals	\$ 16,244	\$ (247)	-1.52%	Company response to CIPS&UE-TEE-017
2	2001 Totals	17,387	732	4.21%	Company response to CIPS&UE-TEE-017
3	2000 Totals	18,304	(112)	-0.61%	Company response to CIPS&UE-TEE-017
4	1999 Totals	12,128	79	0.65%	Company response to CIPS&UE-TEE-017
5	1998 Totals	10,495	108	1.03%	Company response to CIPS&UE-TEE-017
6	5 Year Average			0.75%	Sum of Column (D) lines 1 through 5 divided by 5
7	Total Company Revenue			<u>13,606</u>	Company Schedule C-1, Col B, line 1
8	Uncollectible Expense per Staff			\$ 102	Line 6 times line 7
9	Uncollectible Expense per Company			<u>399</u>	Company Exhibit CIPS-027
10	Adjustment to Uncollectible Expense			<u>\$ (297)</u>	Line 8 minus line 9

Central Illinois Public Service Company  
Adjustment to Advertising Expense  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	(B)	(C)	Source (D)
1	Ad for CIPS' Environmental Adjustment Clause 07/01	\$ 2		CIPS WPC-3.9
2	Notice of Filing the CIPS' Gas Rate Increase	3		CIPS WPC-3.9
3			\$ 5	Sum of lines 1 and 2
4				
5	Pro Forma Adjustment to Advertising Expense per Staff		\$ 5	Line 6 minus line 3
6	Pro Forma Adjustment to Advertising Expense per Company		10	Company Schedule C-3.9
7	Adjustment to Advertising Expense		\$ (5)	Line 5 minus line 6

Union Electric Company  
Adjustment to Advertising Expense  
For the Test Year Ended June 30, 2002

<u>Line No.</u>	<u>Description</u> (A)	(B)	(C)	<u>Source</u> (D)
1	Ad for UE's Environmental Adjustment Clause 07/01	\$ 0.5		UE WPC-3.9
2	Notice of Filing the UE's Gas Rate Increase	0.5		UE WPC-3.9
3			<u>\$ 1</u>	Sum of lines 1 and 2
4				
5	Pro Forma Adjustment to Advertising Expense per Staff		\$ 1	Line 6 minus line 3
6	Pro Forma Adjustment to Advertising Expense per Company		2	Company Schedule C-3.9
7	Adjustment to Advertising Expense		<u>\$ (1)</u>	Line 5 minus line 6

Central Illinois Public Service Company  
Adjustment to Charitable Contributions  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Charitable Contributions per Staff	\$ 50	Line 2 plus line 3
2	Charitable Contributions per Company	<u>73</u>	Company Schedule C-3.8
3	Adjustment to Charitable Contributions	<u><u>\$ (23)</u></u>	Page 2 line 38

Central Illinois Public Service Company  
Adjustment to Charitable Contributions  
For the Test Year Ended June 30, 2002

Line No.	Description (A)	Amount (B)	Effect Date (C)	Allocation Factor (D)	Amount Disallowed (E)	WP reference (F)
1	SERV RQSTS – DIRECT	\$ 5,000.00	1/31/2002	0.2497	\$ 1,248.50	CIPS WPC-8c
2	various Chamber of Commerce & Service Organizations	3,236.00		0.2497	808.03	CIPS WPC-8c
3	ILLINOIS ELECTRIC CO	1,500.00	3/7/2002	0.2497	374.55	CIPS WPC-8d
4	SPRINGFIELD WORKING	160.00	3/11/2002	0.2497	39.95	CIPS WPC-8d
5	various Chamber of Commerce & Service Organizations	118.00		0.2497	29.46	CIPS WPC-8d
6	LITTLE PEOPLE GOLF	125.00	3/28/2002	0.2497	31.21	CIPS WPC-8e
7	S I P A C	500.00	4/12/2002	0.2497	124.85	CIPS WPC-8e
8	LINCOLN SARGENT FARM	500.00	4/9/2002	0.2497	124.85	CIPS WPC-8e
9	THE RUSH	300.00	4/9/2002	0.2497	74.91	CIPS WPC-8e
10	MIDSTATE RIPPERS	300.00	4/9/2002	0.2497	74.91	CIPS WPC-8e
11	EVANSVILLE ELITE SOC	300.00	4/9/2002	0.2497	74.91	CIPS WPC-8e
12	JAMES MC DONNELL U S	2,500.00	4/17/2002	0.2497	624.25	CIPS WPC-8e
13	various Chamber of Commerce & Service Organizations	80.00		0.2497	19.98	CIPS WPC-8e
14	CITY CLUB OF CHICAGO	5,000.00	5/3/2002	0.2497	1,248.50	CIPS WPC-8f
15	various Chamber of Commerce & Service Organizations	2,093.00		0.2497	522.62	CIPS WPC-8f
16	MULBERRY GROVE POWER	300.00	5/29/2002	0.2497	74.91	CIPS WPC-8g
17	SERV RQSTS – DIRECT	27,486.00	6/30/2002	0.2497	6,863.25	CIPS WPC-8g
18	various Chamber of Commerce & Service Organizations	3,955.00		0.2497	987.56	CIPS WPC-8g
19	State Farm Classic	3,000.00	6/20/2002	0.2497	749.10	CIPS WPC-8h
20	various Chamber of Commerce & Service Organizations	760.00		0.2497	189.77	CIPS WPC-8h
21	SERV RQSTS – DIRECT	3,099.00	7/31/2001	0.1867	578.58	CIPS WPC-8j
22	JAMES S MCDONNELL US	2,500.00	7/24/2001	0.1867	466.75	CIPS WPC-8j
23	EXELON CORPORATION	509.00	8/29/2001	0.1867	95.03	CIPS WPC-8j
24	JIM GOLIKE	300.00	8/10/2001	0.1867	56.01	CIPS WPC-8j
25	various Chamber of Commerce & Service Organizations	2,120.00		0.1867	395.80	CIPS WPC-8j
26	GORHAMS INC	1,036.68	8/27/2001	0.1867	193.55	CIPS WPC-8k
27	ILLINOIS POWER COMPA	860.00	9/14/2001	0.1867	160.56	CIPS WPC-8k
28	FIVE D NEWSPAPERS	105.00	9/13/2001	0.1867	19.60	CIPS WPC-8k
29	MOLLY SULLIVAN GOLF	100.00	9/7/2001	0.1867	18.67	CIPS WPC-8k
30	various Chamber of Commerce & Service Organizations	1,455.00		0.1867	271.65	CIPS WPC-8k
31	various Chamber of Commerce & Service Organizations	1,540.00		0.1867	287.52	CIPS WPC-8l
32	E S P N ZONE	1,411.37	11/14/2001	0.1867	263.50	CIPS WPC-8m
33	EXELON CORPORATION	48.41	11/14/2001	0.1867	9.04	CIPS WPC-8m
34	SERV RQSTS – DIRECT	3,500.00	11/30/2001	0.1867	653.45	CIPS WPC-8m
35	various Chamber of Commerce & Service Organizations	340.00		0.1867	63.48	CIPS WPC-8m
36	SERV RQSTS – DIRECT	23,351.00	12/31/2001	0.1867	4,359.63	CIPS WPC-8m
37	SERV RQSTS – DIRECT	2,500.00	12/31/2001	0.1867	466.75	CIPS WPC-8n
38	Total				\$ 22,645.66	

Central Illinois Public Service Company  
Adjustment to Membership Dues  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line</u> <u>No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Membership Dues per Staff	\$	1 Line 2 plus line 3
2	Membership Dues per Company		6 Company Schedule C-7
3	Adjustment to Membership Dues	\$ (5)	Page 2 line 12

Central Illinois Public Service Company  
Adjustment to Membership Dues  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	Amount (B)	Effect Date (C)	Allocation Factor (D)	Amount Disallowed (E)	WP reference (F)
1	BRUNER, STEVEN L	100.00	7/12/2001	0.1867	18.67	CIPS WPC-7b
2	SERV RQSTS – DIRECT	100.00	8/31/2001	0.1867	18.67	CIPS WPC-7b
3	various Chamber of Commerce & Service Organizatio	2,155.00		0.1867	402.34	CIPS WPC-7b
4	SERV RQSTS – DIRECT	300.00	11/30/2001	0.1867	56.01	CIPS WPC-7c
5	ARTHUR ASSOCIATION O	275.00	12/14/2001	0.1867	51.34	CIPS WPC-7c
6	various Chamber of Commerce & Service Organizatio	5,089.00		0.1867	950.12	CIPS WPC-7c
7	AMERITECH	534.78	1/25/2002	0.2497	133.53	CIPS WPC-7f
8	DOWNTOWN SPRINGFIELD	4,000.00	1/10/2002	0.2497	998.80	CIPS WPC-7f
9	various Chamber of Commerce & Service Organizatio	7,545.96		0.2497	1,884.23	CIPS WPC-7f
10	V321316, TAYLORVILLE	507.00	4/30/2002	0.2497	126.60	CIPS WPC-7g
11	various Chamber of Commerce & Service Organizatio	3,298.00		0.2497	823.51	CIPS WPC-7g
12					<u>5,463.82</u>	

Central Illinois Public Service Company  
Adjustment to Interest and Customer Deposits  
For the Test Year Ended June 30, 2002  
(in thousands)

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	Interest on Customer Deposits per Staff	\$ 10	Page 2 line 16
2	Interest on Customer Deposits per Company	<u>18</u>	Company Schedule C-3.8
3	Proposed adjustment to Interest on Customer Deposits per Staff	<u>\$ (8)</u>	Line 1 minus line 2
4	Customer deposits per Staff	\$ (688)	Page 2 line 14
5	Customer deposits per Company	<u>(906)</u>	Company Schedule B-1
6	Proposed adjustment to Customer Deposits	<u>\$ 218</u>	Line 4 minus line 5



Central Illinois Public Service Company  
Adjustment to Interest and Customer Deposits  
For the Test Year Ended June 30, 2002

<u>Line No.</u>	<u>Description</u> (A)	(B)	<u>Source</u> (C)
1	June 2001	\$ 743,602	Exhibit CIPS-012, Col. (E)
2	July 2001	727,099	Exhibit CIPS-012, Col. (E)
3	August 2001	705,003	Exhibit CIPS-012, Col. (E)
4	September 2001	686,737	Exhibit CIPS-012, Col. (E)
5	October 2001	676,572	Exhibit CIPS-012, Col. (E)
6	November 2001	670,571	Exhibit CIPS-012, Col. (E)
7	December 2001	667,095	Exhibit CIPS-012, Col. (E)
8	January 2002	575,553	Exhibit CIPS-012, Col. (C)
9	February 2002	547,836	Exhibit CIPS-012, Col. (C)
10	March 2002	570,484	Exhibit CIPS-012, Col. (C)
11	April 2002	592,701	Exhibit CIPS-012, Col. (C)
12	May 2002	876,058	Exhibit CIPS-012, Col. (C)
13	June 2002	<u>905,982</u>	Exhibit CIPS-012, Col. (C)
14	13 month Average	\$ 688,099	Average of lines 1 through 13
15	Interest rate on Illinois Customer Deposits	<u>1.5%</u>	Order, ICC Docket No. 02-0835
16	Interest per Staff	<u><u>\$ 10,321</u></u>	Line 14 times line 15

Union Electric Company  
Adjustment to Customer Deposits  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	(B)	Source (C)
1	Customer deposits per Staff	\$ (46)	Page 2 line 14
2	Customer deposits per Company	<u>(51)</u>	Company Schedule B-1
3	Adjustment to Customer Deposits	<u><u>\$ 5</u></u>	Line 1 minus line 2

Union Electric Company  
Adjustment to Customer Deposits  
For the Test Year Ended June 30, 2002

<u>Line No.</u>	<u>Description (A)</u>	<u>(B)</u>	<u>Source (C)</u>
1	June 2001	\$ 42,457	Exhibit CIPS-012, Col. (E)
2	July 2001	41,716	Exhibit CIPS-012, Col. (E)
3	August 2001	42,911	Exhibit CIPS-012, Col. (E)
4	September 2001	42,820	Exhibit CIPS-012, Col. (E)
5	October 2001	41,572	Exhibit CIPS-012, Col. (E)
6	November 2001	42,697	Exhibit CIPS-012, Col. (E)
7	December 2001	43,532	Exhibit CIPS-012, Col. (E)
8	January 2002	48,732	Exhibit CIPS-012, Col. (C)
9	February 2002	49,495	Exhibit CIPS-012, Col. (C)
10	March 2002	50,156	Exhibit CIPS-012, Col. (C)
11	April 2002	50,411	Exhibit CIPS-012, Col. (C)
12	May 2002	50,161	Exhibit CIPS-012, Col. (C)
13	June 2002	51,045	Exhibit CIPS-012, Col. (C)
14	13 month Average	\$ 45,977	Average of lines 1 through 13
15	Interest rate on Illinois Customer Deposits	1.5%	Order, ICC Docket No. 02-0835
16	Interest per Staff	<u>\$ 690</u>	Line 14 times line 15

Central Illinois Public Service Company  
Adjustment to Income Tax Expense  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	Amount (B)	Federal Income Tax (C)	State Income Tax (D)	Source (E)
1	Operating Income			\$ 6,907	Company Schedule C-1, Column D, line 7
2	Income Tax			<u>1,285</u>	Sum of line 14 Columns C & D
3	Operating Income Before Income Tax			8,192	Line 1 plus line 2
4	Interest Expense			<u>(5,528)</u>	Company Schedule C-6, Column D, line 8
5	Taxable income - State		\$ 2,664	2,664	Company Schedule C-6, page 2, line 25
6	State income tax		<u>194</u>		Line 9
7	Taxable Income - Federal		2,470		Line 5 minus line 6
8	Tax rate		<u>35.00%</u>	<u>7.30%</u>	
9	Income Tax Expense per Staff		864	194	Taxable income times line 8
10	Federal Income Tax	\$ 1,389			
11	Deferred Income Taxes Account 190	(562)			Company Schedule C-6, page 2, line 37
12	Deferred Income Taxes Account 282	180			Company Schedule C-6, page 2, line 38
13	Deferred Income Taxes Account 283	<u>(35)</u>			Company Schedule C-6, page 2, line 39
14	Income Tax Expense per Company		<u>972</u>	<u>313</u>	
15	Adjustment to Income Tax Expense		<u>\$ (108)</u>	<u>\$ (119)</u>	Line 5 minus line 10

Union Electric Company  
Adjustment to Income Tax Expense  
For the Test Year Ended June 30, 2002  
(in thousands)

Line No.	Description (A)	Federal Income Tax (B)	State Income Tax (C)	Source (D)
1	Operating Income		\$ (975)	Company Schedule C-1, Column D, line 7
2	Income Tax		<u>(206)</u>	Company Schedule C-6, page 2, lines 38 and 39
3	Operating Income Before Income Tax		\$ (1,181)	Line 1 plus line 2
4	Interest Expense		<u>(371)</u>	Company Schedule C-6, Column D, line 8
5	Taxable income - State	\$ (1,552)	\$ (1,552)	Line 3 plus line 4
6	State income tax	<u>(113)</u>		Line 9
7	Taxable Income - Federal	\$ (1,439)		Line 5 minus line 6
8	Tax rate	<u>35.00%</u>	<u>7.30%</u>	
9	Income Tax Expense per Staff	(543)	(113)	Taxable income times line 8
10	Income Tax Expense per Company	<u>(206)</u>	-	Company Schedule C-6, page 2, lines 38 and 39
11	Adjustment to Income Tax Expense	<u>\$ (337)</u>	<u>\$ (113)</u>	Line 9 minus line 10